Six stylized facts on the great lockdown

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Fact I: **Virus, Variants, Vaccines, and V-shaped service-intensive recession**

**Global Activity Indicators**  
(Three-month moving average, annualized percent change; deviations from 50 for manufacturing PMI, unless noted otherwise)

**Real GDP 1/**  
(index; pre-recession peak = 100)

Sources: IMF, *World Economic Outlook*; IMF, *Global Data Source*; Haver Analytics; and IMF staff calculations.

1/ Lines denote averages.
2/ Lines denote medians. Shaded areas denote interquartile ranges.
Why V-shape?

- Unprecedented policy response
- No financial crisis
- Scientific breakthrough
- Learning: Three (public-policy) dimensions of learning
  - Learning by governments in response to the ongoing pandemics
  - Learning by people (mobility) in response to governments' actions
  - Learning by economic activity in response to mobility
Fact II: Learning to live with the virus

**Lockdown stringency and targeted measures**

1/ The share of targeted stay-at-home orders is computed as the ratio of the number of countries with geographically targeted stay-at-home orders to the number of countries with stay-at-home orders (either at the national level or geographically targeted).

**Sensitivity of mobility to cases and lockdowns**

2/ Lines denote median of 7-day moving averages. Shaded areas are interquartile ranges. A full lockdown includes all "containment and closure" measures in the OxCGRT. The regression sample includes 128 countries.

**PMI services**

(index; >50 = expansion)

Sources: Haver Analytics; OxCGRT; Google, COVID-19 Community Mobility Data; Duke Global Health Innovation Center; Global Advisor; and IMF staff calculations.
Fact III: Exceptional support (The snow blanket effect)

Income support
(share of countries in each income group with higher than 50% replacement income support; percent)

Bankruptcies
(index; last pre-recession quarter=100)

Sources: OxCGRT; CEIC; Haver Analytics; and IMF staff calculations.

1/ Lines denote medians. Shaded area denotes interquartile ranges.
Fact IV: Record saving rate

**Household saving 1/**
(percent of household disposable income)

**Historical saving rate in the US 2/**
(personal saving rate; percent)

Sources: CEIC; Haver Analytics; U.S. Bureau of Economic Analysis; and IMF staff calculations.
1/ Lines denote medians. Shaded area denotes interquartile ranges. 2/ U.S. recessions are shaded.
Savings and balance sheets

• Smoothing, Precautionary or Forced savings?

• Balance Sheets
  • Households’ balance sheets: strong
  • Nonfinancial corporates’ balance sheets: mix
  • Banks’ balance sheets: good

• Comparison with previous recessions
  • What is different?
  • Implications for the recovery
Fact V: Unique Consumption patterns

Advanced Economies during the Great Lockdown

Source: Haver, and staff calculations. U.S. Bureau of Economic Analysis, NBER, and staff calculations.

Past Recessions in the US

Source: Haver, and staff calculations. U.S. Bureau of Economic Analysis, NBER, and staff calculations.
Demand or supply shocks?

- At the beginning of the crisis emphasis on supply shocks
- With Leontief production functions (and rigid GVC) a local shock would produce a global shock (in addition some Keynesian effects)
- Elegant models but... reality turned out to be different 😊

- Supply shocks less than expected
- Demand shocks more relevant (example of car producers/chips)

- Prices did not adjust. Social norms
**Fact VI: Merchandise Trade and Financial Resilience**

**World: Merchandise imports 1/**
(index; Jul 2008=100 for GFC; Dec 2019=100 for GL)

- Great Lockdown: Value
- Great Lockdown: Volume
- Global Financial Crisis: Value
- Global Financial Crisis: Volume

**EMBIG spread**
(median; basis points)

- EM investment grade
- EM non-investment grade
- LIC/Frontier non-inv grade

**Inflation and policy space 2/**
(percent)

- Share of countries with inflation below target
- Share of countries with one-year ahead inflation exp. below target
- Share of countries with policy rate near ZLB, rhs

Sources: CPB; Bloomberg; IMF, *World Economic Outlook*; IMF, *Global Data Source*; Haver Analytics; Consensus Forecast; and IMF staff calculations.

1/ Lighter lines indicate nowcasts.
2/ ZLB threshold at 0.5 percent.
GLOBAL FINANCIAL CRISIS

• Before the GFC, the common wisdom was that financial integration would increase resilience by sharing idiosyncratic risks (Greenspan’s doctrine)
• Notable exception: the paper by Rajan at Jackson Hole
• The opposite happened: The GFC showed the common wisdom was incorrect

GREAT LOCKDOWN

• At the beginning of the Great Lockdown: concerns that GVC would amplify the local shocks
• The opposite happened: GVCs proved remarkably stable and merchandise trade is booming

CONCLUSION

The profession overestimated financial resilience and underestimated trade resilience
Conclusions

• V-shaped recovery
• No financial crisis
• Learning
• Exceptional policy support
• Exceptional saving behavior
• Exceptional consumption behavior
• Resilience
The end
Thanks